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ACTIVITIES OF THE RECONSTRUCTION FINANCE CORPORATION AND ITS SUBSIDIARIES IN CONNECTION WITH THE WAR UP TO OCTOBER 31, 1942

LETTER

FROM THE

SECRETARY OF COMMERCE

TRANSMITTING

THE ACTIVITIES OF THE RECONSTRUCTION FINANCE CORPORATION AND ITS SUBSIDIARIES IN CONNECTION WITH THE WAR UP TO OCTOBER 31, 1942

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THE ACTIVITIES OF THE RECONSTRUCTION FINANCE CORPORATION AND ITS SUBSIDIARIES IN CONNECTION WITH THE WAR UP TO OCTOBER 31, 1942

THE SECRETARY OF COMMERCE,
Washington, November 30, 1942.

To the PRESIDENT AND THE CONGRESS OF THE UNITED STATES:

Under date of March 21, 1942, I gave you a statement summarizing the activities of the Reconstruction Finance Corporation and its subsidiaries in connection with the war up to March 7, 1942. I now give you a similar statement revised to October 31, 1942.

As of October 31, 1942, the Reconstruction Finance Corporation and its subsidiaries had authorized loans, investments, purchase contracts, and other commitments, in connection with the war, aggregating $18,289,576,761. Of this amount, commitments aggregating $1,548,965,589 were subsequently canceled; $4,805,482,566 has been disbursed and $1,414,972,551 repaid from proceeds of sales of materials, loan repayments, rentals, and other sources.

Under authority granted it June 25, 1940, as amended, the Reconstruction Finance Corporation has created and owns all of the capital stock of Defense Plant Corporation, Defense Supplies Corporation, Metals Reserve Company, Rubber Reserve Company, War Damage Corporation, and United States Commercial Company. These companies are all owned, managed, and operated under my supervision, by Reconstruction Finance Corporation directors and personnel, except that the State Department and the Board of Economic Warfare are represented on the Board of Directors of the United States Commercial Company and largely determine its activities. Since April 20, 1942, all foreign contracts and purchases have been made in cooperation with, or by direction of, the Board of Economic Warfare. The general form of such contracts is approved by the State Department. The State Department also participates in all negotiations where a foreign government is in any way involved.

The Reconstruction Finance Corporation subsidiaries act as service agencies in the war program. When the President, the War Production Board, the War Department, the Navy Department, the Maritime Commission, the Office of the Petroleum Coordinator for War, the Board of Economic Warfare or, recently, the Rubber Director, establishes the need for plant facilities, materials, services, or supplies, for which no other provision is made, the Reconstruction Finance Corporation, through one of the above-named subsidiaries, when requested to do so by the appropriate war agency and with my approval, undertakes to provide them. In this way it serves those responsible for war production and war policies. Neither the Reconstruction Finance Corporation nor I determine policies.

6/15/43 KC

Defense Plant Corporation

Defense Plant Corporation has financed and contracted to finance the construction, equipment, partial equipment, or expansion of 1,337 plants for the production or fabrication of ships, bombing, fighting, transport and cargo planes, tanks, heavy guns, ordnance, magnesium, aluminum, steel, tin, copper, and other metals, synthetic rubber, high octane aviation gasoline, machine tools, flying schools, pipe lines, etc., at an aggregate estimated cost of $8,333,839,503, of which $2,407,294,064 has been disbursed and $798,239,768 canceled. Over 800 of the plants are already in full or partial operation. Most of the plants start operation before being entirely completed and the capacity of many of them has been increased several times during construction.

The War Department, Navy Department, Maritime Commission, War Production Board, or Office of Petroleum Coordinator for War recommends that Defense Plant Corporation contract for the construction and operation of a particular plant usually at a particular location, by a particular manufacturer or contractor. Defense Plant Corporation then negotiates the contrcts and arranges the financing. Because no two contracts, or purchases, are alike, each contract for the construction and operation of a plant and each purchase of critical and strategic materials must be individually negotiated.

The plants and equipment are owned by Defense Plant Corporation and operated by manufacturers under lease, management contract, or other arrangement. Defense Plant Corporation receives rentals from the plants and in some instances has a contract for reimbursement by the sponsor, i. e., the War Department, Navy Department, Maritime Commission, or other agency of the Government.

Commitments made by Defense Plant Corporation include $2,448,477,447 for the production of aircraft and parts, including $18,000,000 to Henry Kaiser and Howard Hughes for the design and construction of three super cargo planes; $1,826,230,695 for the manufacture or purchase of machine tools; $459,449,896 for the production of ordnance; $195,754,536 for the construction and equipment of shipyards and vessels; $51,025,728 for the manufacture of radio and scientific equipment; $189,662,963 for production of aviation gasoline; and numerous other items.

Aluminum.—In the aluminum expansion program Defense Plant Corporation and the Reconstruction Finance Corporation have made commitments aggregating $737,391,674. This includes the construction of 12 plants for the production of aluminum which, in the opinion of the War Production Board and the Army and Navy Munitions Board, together with the capacity of privately owned plants and what we are able to buy from Canada, will provide sufficient aluminum to meet our requirements. Nine of these plants are in at least partial operation and all will be completed in a few months. Metals Reserve Company and the Reconstruction Finance Corporation have contracted for the purchase of all available aluminum and alumina from Canada, also for the purchase of bauxite from Brazil. Dutch Guiana, and domestic mines.

The first step in the production of aluminum is the production of bauxite from which alumina is made. Most of the bauxite has heretofore come from Dutch Guiana but we are now greatly expanding its production in the United States. Aluminum is made from the

alumina. Defense Plant Corporation and Reconstruction Finance Corporation are building four plants for the production of alumina. Two of these plants are now in operation. Defense Plant Corporation is also building 48 plants and putting facilities in 12 other plants necessary for aluminum production and for the fabrication and manufacture of aluminum products.

No war effort has been delayed because of a shortage of aluminum metal, and with the early completion of the fabricating plants now under construction no delays should be occasioned by lack of parts.

April 1, 1941, the stock of aluminum in this country, exclusive of that held by manufacturers, was 140,000,000 pounds. This stock has since more than doubled and is being further increased as new plants come in.

Magnesium.—Magnesium is an even lighter and stronger metal than aluminum. Its principal use is in the manufacture of airplanes, incendiary bombs, and flares. Defense Plant Corporation and the Reconstruction Finance Corporation have made commitments aggregating $422,074,007 in the magnesium-manufacturing program. This includes provision for the construction of 16 plants which, in the opinion of the War Production Board and the Army and Navy Munitions Board, will produce sufficient magnesium to meet our requirements. Twelve of these plants are in some stage of operation and all will be completed in a few months. Defense Plant Corporation is also building or putting facilities in 26 plants and 5 other operations necessary for magnesium production and for the manufacture of magnesium products.

Steel.—Defense Plant Corporation and the Reconstruction Finance Corporation have made commitments totaling $893,369,207 for the construction of 144 new plants of varying sizes and the installation of equipment in 29 existing plants to increase production of iron and steel, iron ore, pig iron, steel ingots, steel plate, armor and forgings, and blooms, bars, castings, tubing, and annealing and heat treating; and for increased production of coke and coal. The plants will be operated under leases by 83 different existing privately owned companies, at rentals based upon a stated price per unit produced, or a stated percentage of our investment.

Machine tools.—In the conversion and expansion of manufacturing plants from peacetime operations to defense and war activities, one of the fundamental needs was increased production of machine tools. Defense Plant Corporation, upon recommendations of the War Production Board and the War Department, has made commitments aggregating $1,826,230,695 to finance the production of machine tools, cutting tools, and gages necessary in the manufacture of war machines and equipment. Of this amount, $146,230,695 is for plant expansion and machinery for the manufacture of tools, and $1,680,000,000 represents commitments to over 250 tool manufacturers for the purchase of tools. Defense Plant Corporation places orders with manufacturers with a commitment to the effect that if the tools are not purchased by others, the Corporation will buy them. To date, tools, which cost $555,153,164 have gone directly from the tool manufacturers to the ultimate users, and Defense Plant Corporation's commitment to purchase has been reduced accordingly.

Pipe lines.—Defense Plant Corporation has authorized $102,850,000 for four pipe lines for the transportation of petroleum products from

Texas and the Middle West, overland and through inland waterways, to the eastern seaboard, made necessary by the sinking of ocean tankers by enemy submarines.

(1) A 24-inch line was planned to extend from Longview, Tex., to Salem, Ill., a distance of 530 miles, at an estimated cost of $35,000,000. This line is now being continued to Philadelphia and New York, an additional distance of 857 miles, at an additional cost estimated at $60,000,000. The first 530 miles of pipe has been laid and should be in operation by the first of the year. Pipe is now being laid for the extension to Philadelphia and New York and should be completed by June 1943. This 24-inch line will move a minimum of 300,000 barrels of crude oil, or 350,000 barrels of petroleum products, per day from Texas to the New York area. By adding some additional pumping stations along the line, its capacity can be very substantially increased. Reconstruction Finance Corporation authorized the financing of this line in August 1941, but the steel was not made available until recently.

(2) An 8-inch line across northern Florida, a distance of 198 miles, at a cost of $3,000,000. This line will be operated in connection with the intercoastal canal system, moving oil from Texas to Norfolk.

(3) An 8-inch line, from Greensboro, N. C., to Richmond, Va., a distance of 175 miles, at a cost of $3,600,000, to connect with existing systems from Texas.

(4) An 8-inch line, from Fostoria, Ohio, to Akron, Ohio, a distance of 82 miles, at a cost of $1,250,000 to connect with existing Ohio lines which terminate at Philadelphia and Newark, N. J.

The last three mentioned lines will be built principally from second-hand materials and facilities. Other pipe lines may be necessary.

FOREIGN ACTIVITIES

Defense Plant Corporation is financing facilities for the production of additional copper in the Republic of Chile at an estimated cost of $4,999,850 and has agreed to finance another plant at an estimated cost of $15,000,000. It is also establishing facilities, at an estimated cost of $19,300,000, for the production of nickel in Cuba; and has authorized $4,000,000 for the construction in Peru of facilities for the production of vanadium.

Defense Supplies Corporation

All procurement and activities which the war effort requires to be financed by the Reconstruction Finance Corporation, other than those handled by Rubber Reserve Company, Metals Reserve Company, Defense Plant Corporation, and United States Commercial Company, are handled by Defense Supplies Corporation.

Since its creation August 29, 1940, the Corporation has made commitments aggregating $3,650,725,563, of which $2,511,303,120 is for domestic and $1,139,422,443 for foreign activities.

Of the total, $334,347,105 has been canceled and much more probably will not be used. Many of these activities will involve very substantial losses.

Commitments made by Defense Supplies Corporation include $1,499,906,141 for the purchase of aviation gasoline and component parts and aviation gasoline plant expansion, $250,000,000 for Cuban sugar and molasses, $167,500,000 for wool, $175,194,491 for rationed and frozen manufactured articles, $124,546,627 for cordage fibers, $100,000,000 to Russia for metals and materials, $82,000,000 for alcohol, $102,308,621 for drugs and chemicals, $27,594,727 for silk, $26,781,070 for airplanes, $27,500,000 for shellac, $20,000,000 for Army Exchange Service, $6,000,000 for rubber thread, and substantial amounts for numerous other items.

FOREIGN ACTIVITIES

By amendment to War Production Board general preference order M-63, effective July 2, 1942, the Government assumed control over virtually all imported materials, with the result that, subject only to such exemptions as War Production Board might from time to time grant. Defense Supplies Corporation was designated as the exclusive United States importer of the following materials:

Wool.
Cotton linters.
Hard and soft fibers.
Fabric footwear.
Hides and skins.
Baskets, wood and straw.
Boxwood logs.
Candelilla wax.
Candle wax.
Gums and resins (natural).
Leather and leather purses.
Furs, undressed
Quebracho extract.
Divi divi.
Quebracho wood.
Tara.
Other tanning extracts (than quebracho and mangrove).
Bromine compounds.
Cinchona bark.
Iodine, crude.
Nitrates, sodium and potassium.
Argols.
Caffein.
Coca leaves.
Kola nuts.
Carnauba wax.
Mahogany logs.
Balsams, crude.
Ouricury wax.
Osier or willow.
Paper base stock.
Vegetable Ivory (tagua nuts).
Bone black and char, blood char.
Bones, crude, ground, etc.
Bristles (pig and hog).
Feathers and down.
Glue and glue stock.
Horse mane and tail hair.
Seed lac.
Shellac.
Tankage.
Blood (dried).
Canary seed.
Charcoal.
Chicle.
Guano.
Hair, cattle and goat.
Sponges.

Wool.—One of the most important raw materials being imported by the Corporation is wool. To date, the Corporation has imported and has in storage in the United States a reserve of approximately 450,000,000 pounds of wool valued at approximately $250,000,000. In addition, the Corporation has accepted for handling and storing in the United States, for the British Ministry of Supply, approximately 225,000,000 pounds intended for transshipment to the United Kingdom. This total of approximately 675,000,000 pounds is equal to a year and a half's production of wool in the United States. All of the wool handled by the Corporation to date, with the exception of approximately 5,000,000 pounds of South American wool, was obtained through the British Government from Australia, New Zealand, and South Africa.

Fibers.—The Corporation imports agave fibers, the most important of which is abaca, commonly known as Manila fiber, grown almost exclusively in the Philippines. This fiber for some time has been restricted to marine cordage and other highly essential uses. Imme-

diately following the Japanese invasion, plans which had previously been considered were put into effect whereby the Corporation arranged to finance the planting and decortication of abaca in Central America. Some acreage has been planted and additional planting projects have been authorized in Latin America. The plantings, which were started in January 1942, are proceeding as rapidly as labor and materials permit. Approximately 18 months from planting are required for production.

The Corporation has purchased substantial quantities of sisal, a substitute for Manila fiber, from Africa. It has also contracted for the entire production of agave fibers from Latin-American countries.

Drugs.—In the field of crude drugs obtained from foreign sources, the Corporation's activities included the purchase of quinine, ergot of rye, opium, and santonin. In addition, the Corporation is purchasing the frozen stocks of quinine sulphate in the United States, is financing the development of cinchona bark (quinine) in Central and South American producing countries, and is contracting for the entire production of quinine sulphate and usable antimalarial alkaloids to be produced by the four American processing concerns.

Hides.—At the request of the United Kingdom and the War Production Board, the Corporation, last January, became the sole importer of foreign hides and skins in order to (*a*) insure proper allocation between the United Kingdom and the United States; (*b*) establish prices in countries of origin; and (*c*) permit orderly allocation of United States imports among tanners having the necessary priority ratings. This is done through established importers and accomplishes the desired governmental objectives without interference with usual trade organizations and practices and without financial risk to the Government.

Sugar and molasses.—The Corporation has contracted for the entire Cuban sugar crop of 1942. In order to assure an adequate supply of molasses for alcohol, arrangements were made originally for one-third of the Cuban sugar to be produced in the form of molasses. This was later reduced. Recent shipping developments have greatly impeded the movement of sugar and molasses. Under the contract the Corporation has either made loans on or arranged for the purchase of sugar and molasses but, due to the shipping situation, we will probably not be able to bring all of it to the United States. This will result not only in a money loss but in the loss of alcohol production.

With the approval of the President, the Corporation is also paying the excess transportation costs for the movement of sugar under the price ceilings established by Office of Price Administration. Under this program the Corporation pays an amount equal to the difference between the normal cost of transporting the sugar and the excess cost due to the war or to movement of sugar outside the territory of the refiner. The movement of such sugar is directed by the War Production Board and Office of Price Administration. The Corporation has allocated up to $30,000,000 to cover these extra costs. Whatever amount is paid will not be recovered.

Miscellaneous foreign activities.—April 28, 1941, the President allocated the sum of $8,000,000 to the Federal Loan Administrator for the principal purpose of eliminating Axis control, equipment, and personnel from Latin-American air lines.

At that time there were about 15,000 miles of Axis-controlled air lines in South America.

By making available American equipment, personnel, and financial assistance, the Axis-controlled air lines in Bolivia, Ecuador, Peru, and Brazil were eliminated. The Italian Airline (LATI) flying between Brazil and Europe was eliminated by substitution of a better service by an American company with American planes and personnel. The Italian planes with spare motors and spare parts used in this service were acquired by the Brazilian Government from LATI and purchased by Defense Supplies Corporation for $350,000. The United States Army Air Forces have indicated their desire to acquire these planes.

As of today, there are no Axis-controlled air lines remaining in South America.

Flight-training program.—With the approval of the President, Defense Supplies Corporation appropriated $1,488,600 for the purpose of training citizens of the other American republics as aviation pilots and technicians.

Of several hundred trainees who were brought to this country at the beginning of the year, about 40 percent have already completed their training and returned to their homes, or are awaiting transportation. A substantial number of pilots will complete their training this fall, and the rest, instructor mechanics and aeronautical engineers, will continue their training into next year. Advanced courses beyond the training which was contemplated in the original program have been offered to about half of the trainees. No part of this expense will be recovered.

Russia.—Prior to the extension of Lend-Lease aid to Russia, Defense Supplies Corporation contracted with Amtorg Trading Corporation, a United States corporation owned by Russia, to purchase needed materials from the Soviet Union to the extent of $100,000,000 and made an advance payment of $49,668,247.96, in the form of a loan, against their delivery, subject to the condition that such advance payment be used to purchase in this country supplies needed by the Soviet Union. Materials already shipped by the Soviet Union, through Amtorg Trading Corporation, including cargoes afloat or that have been sunk, include the following:

Asbestos.	Lumber.
Buckthorn bark.	Dead-burned magnesite.
Chrome ore.	Potash.
Goatskins.	Platinum.
Goose down.	Pulpwood.
Horsehair.	Santonin.
Licorice root.	Sheep casings.

The aggregate value of these items is in excess of $5,500,000.

DOMESTIC ACTIVITIES

Aviation gasoline.—The most extensive domestic procurement program instituted by Defense Supplies Corporation to date is that involving high-octane aviation gasoline. In order to assure adequate supplies of this most important material, Defense Supplies Corporation, at the request of the Army, Navy, and the Office of the Petroleum Coordinator for War, has entered into contracts with substantially all refineries which are now, or expect to be, equipped to produce aviation

gasoline, and in consideration of their agreement to produce aviation gasoline on a large scale, the Corporation contracts to purchase their production. This production, which will involve substantially the entire quantity of 100-octane aviation gasoline produced in the United States and its territories, will be distributed to the armed forces of this country and its Allies. The contracts are made with the cooperation of the Office of the Petroleum Coordinator for War.

Alcohol.—The Corporation has had two alcohol programs. The first consisted of the purchase of 190° proof ethyl alcohol for stock pile. The stock pile originally set by War Production Board was recently increased. Due to the shortage of acceptable tank storage facilities, it may not be possible to reach the amount contemplated.

The second program covers the purchase and redistillation of high wines. The Corporation has redistilling contracts with seven processors under which high wines are purchased at negotiated prices, shipped to the processors, and converted into 190° proof ethyl alcohol. The program as originally established was later susbtantially increased. It is estimated that the average cost of such alcohol produced from high wines will be approximately 68 cents per gallon as against the Office of Price Administration ceiling price of 50 cents per gallon. This operation will entail a substantial loss to the Corporation.

Assistance to dealers in and manufacturers of rationed articles.—Beginning early in the year 1942, Defense Supplies Corporation began to afford inventory relief to thousands of tire dealers whose tires and tubes were subject to Office of Price Administration rationing regulations. These activities developed rapidly and now embrace numerous plans for relieving distress among manufacturers as well as dealers. Under its "tire return plan" which enabled dealers to return their frozen stocks to their suppliers, the Corporation purchased from these suppliers, manufacturers, and mass distributors 6,228,767 new tires and 7,044,978 new tubes, the total expenditures for this purpose being $53,090,916. Of these, 4,200,341 tires and 4,778,716 tubes have been resold to manufacturers and mass distributors for sale under Office of Price Administration rationing regulations. Manufacturers of automobiles, trucks, trailers, refrigerators, air-conditioning units, heating equipment, laundry and dry-cleaning machinery, and office machinery are receiving assistance in a manner designed both to interfere as little as possible with the normal selling operations of the manufacturer and to permit him ultimately to dispose of his inventory through his regular channels, which at the same time he engages in the manufacture of war materials.

The Defense Supplies Corporation commitment plan affords the manufacturer an opportunity either to sell his inventory outright to the Corporation, or, preferably, to use the Corporation's commitment as the basis for a loan from his bank.

In addition, in the numerous instances in which manufacturers have been quite naturally reluctant to take the financial risks involved in developing or increasing production of materials needed for the war effort, Defense Supplies Corporation has entered into purchase contracts assuring the manufacturer a market for his product, thus making the necessary expansion possible. Contracts for the purchase of short-wave radios and various types of signal apparatus fall in this category.

In order to assure the orderly procurement and distribution of arms and ammunition to law-enforcement agencies, defense-plant guards and other civilians having an essential need, Defense Supplies Corporation is buying and selling large quantities of revolvers, guns, and ammunition to persons approved by the War Production Board.

Payment of abnormal transportation costs.—With the approval of the President, the Corporation is paying the abnormal transportation cost in connection with the movement of coal to the northeastern seaboard as against the usual cost of water transportation which has been interrupted by submarine warfare. Payments are being made with respect to all movements made on and after May 16, 1942. It is estimated that this may cost as much as $40,000,000 during the current fiscal year which will not be recovered; $2,934,508 already has been disbursed. Payment of such abnormal expenses is necessary in order to assure the movement of a maximum amount of coal to the northeastern seaboard for the war effort and necessary civilian uses including the heating of homes.

Likewise the Corporation, with the approval of the President, has agreed to pay certain extraordinary expenses in connection with the movement of petroleum and petroleum products to the east-coast area. Because of submarine warfare it is no longer possible to transport these materials from normal sources of supply by normal means of transportation. Instead of relying principally on ocean tankers, it is now necessary to utilize tank cars, barges, lake steamers, and other high-cost facilities to assure that the necessary amount of these products will be moved into the eastern area. It is also necessary, in order to obtain the maximum efficiency from such facilities, to absorb the higher cost of these products by buying wherever they can be purchased nearer the Atlantic seaboard. None of the payments made under this program, and they will be large, will be recovered.

The commitments made up to October 31, 1942, by Defense Supplies Corporation are summarized by materials and projects in the following table:

Airplanes and aviation activities:
- Aviation program—Amazon rubber development.
- Aviation training—Latin-American students.
- Cargo airplane—Designing and development.
- Civilian and commercial planes for the Army, Navy, War Production Board, Civil Aeronautics Administration, and Department of Commerce.
- South American air lines—For the elimination of Axis control over South American air lines.

Alcohol:
- Alcohol.
- High wines.

Arms, ammunition, etc.:
- Arms, accessories, ammunition, and implements of war.
- Cotton linters.

Drugs and chemicals:
- Agar.
- Belladonna leaves and root.

Drugs and chemicals—Continued.
- Bleaching powder (chloride of lime).
- Caledon khaki dye.
- Calcium carbide.
- Cinchona bark (quinine, etc.).
- Derris root.
- Ergot.
- Ipecac.
- Meta para cresol.
- Nitrate of soda.
- Opium.
- Polyvinyl chloride.
- Quebracho.
- Quinine products.
- Quinine development.
- Rotenone bearing roots and powder.

Excess transportation and other costs:
- Coal.
- Aviation gasoline.
- Nitrate of soda from South America.
- Petroleum products.
- Sugar.

Fats and oils:
- Cashew nut shell oil.
- Castor beans.
- Coconut oil.
- Cohune nut oil (expansion of production facilities).
- Linseed oil.
- Oiticica oil.
- Rapeseed oil.
- Sperm oil.
- Sunflower seed oil.
- Tung oil.

Fibers:
- Abaca development in Central America.
- Agave fibers (henequen, istle, and manila).
- Jute fiber.
- Kapok.
- Malva, figue and pita floja fibers.
- Malva fiber development.
- Roselle fiber seed.
- Sunn hemp.

Forest products:
- Balsa wood.
- Cork and baling wire.
- Mahogany logs and lumber.

Gasoline and component parts:
- Alkylate.
- Alkylate plant.
- Aviation gasoline:
  - 100 octane.
  - 91 octane.
  - Plants.
  - Base stock.
- Benzol.
- Butanes and butylenes.
- Catalyst for use in gasoline production.

Hairs and bristles:
- Cattle tail hair.
- Horse hair.
- Pig and hog bristles.

Manufactured frozen or rationed articles:
- Automobiles and light trucks (agreements to purchase).
- Machinery—Commercial laundry and dry cleaning.
- Office machinery.
- Oil burners.
- Radios:
  - Component parts.
  - Police.
- Refrigerators.
- Space heaters—Oil and gas.
- Tires—Army.
- Tires and tubes—Idle tire program.
- Tires and tubes:
  - Murray-Patman Act.
  - Odd-lot purchases.
  - Tire-return plan.

Manufactured frozen or rationed articles—Continued.
- Trailers—Commercial.
- Trucks.

Skins, hides, and leather:
- Cabretta skins.
- Goat skins and kid skins.
- Hides.
- Leather—South American.
- Lamb skins.
- Shearlings.

Sugar:
- Domestic.
- Cuban 1942 sugarcane crop.
- Molasses:
  - Cuban 1942 sugarcane crop.
  - Domestic.
- Loan to improve facilities used in handling sugar.

Textiles and textile material:
- Burlap.
- Cotton sheeting.
- Osnaburg.
- Raw silk.
- Silk and Nylon hosiery—Used.
- Wool:
  - Australian.
  - South African.
  - South American.
  - United Kingdom.

Miscellaneous articles, commodities, and equipment:
- Carbonyl iron.
- Diamond dies.
- Duck and goose feathers and down.
- Machinery and equipment for manufacture of quartz crystal plates.
- Requisitioned articles and materials.
- Rubber thread.
- Sapphire.
- Sapphire boule.
- Shellac.
- Stirrup pumps.
- Other.

Miscellaneous programs:
- Aluminum rivets.
- Aluminum wire.
- Army exchange service (loan to be used in financing operation of post exchanges).
- Diamond die manufacturing plant.
- Inter-American trade scholarships and other training programs in the United States for Central and South Americans.
- Newfoundland Railway.
- Pacific Development Co.
- Rio Grande Southern Railroad Co.
- Russia—Amtorg Trading Corporation.

Metals Reserve Company

Metals Reserve Company was created June 28, 1940, by the Reconstruction Finance Corporation and commenced operations with the object of building stockpile of strategic and critical metals and minerals. The program was shortly thereafter expanded to include the sale of such materials when necessary in the defense program. At first, the Company contracted for the purchase of materials on a delivered basis, buying all such materials as would comply with requirements necessary to produce the required finished product. This program has since been expanded by the execution of agreements with the governments of foreign countries, particularly in South America, whereby all the exportable surplus of such countries is to be sold to the Metals Reserve Company, in some cases involving payment of a part of the purchase price before the materials are shipped to the United States.

Since its creation on June 28, 1940, Metals Reserve Company has made commitments aggregating $3,224,348,323, of which $1,812,087,030 is for domestic activities and $1,412,261,293 for foreign actvities. Of the total, $143,181,997 has been canceled and some of the balance probably will not be used.

The commitments made by Metals Reserve Company include $326,519,958 for aluminum, alumina, and bauxite; $328,428,926 for copper and copper ore; $107,497,252 for lead and lead ore; $272,212,121 for tin and tin ore; $166,112,350 for tungsten; $65,166,699 for chrome, chrome concentrates and chrome ore; $57,748,476 for zinc, zinc concentrates, and zinc ore, and substantial amounts for numerous other items, including $1,220,000,000 allocated for the purchase of salvaged materials for conversion to war purposes.

Antimony.—The Company has contracted to purchase antimony produced in China, Mexico, Central, and South America, at an approximate cost of $12,698,000. Disbursements for deliveries total $3,415,000.

Chromite.—In purchasing chromite, principally for use by the steel industry in alloys, the Company has contracted for production from seven countries outside the Western Hemisphere. Contracts for such production total approximately $37,665,970. In addition, contracts have been made for chromite produced in Brazil, Cuba, Alaska, and the United States, at an approximate cost of $26,774,295. Disbursements for delivery total $11,980,000. The Company has also contracted for the leasing, development, and operation of certain chrome-mining properties in Montana, including, in cooperation with Defense Plant Corporation, the construction of plants for the crushing and treating for concentration of the ores. The plants will be operated for the account of the Company by the Anaconda Copper Mining Co. The Company has also completed arrangements and is purchasing small lots of chrome ores in California, Oregon, and other States, thus providing a market for domestic ore which would not otherwise be produced.

Copper.—The Company has contracted to purchase copper and copper ore, both domestic and foreign. Most of the copper and copper ore comes from other countries in the Western Hemisphere. Of the total cost of these purchases, $328,428,926, the sum of $226,203,716 has been disbursed in payment against deliveries. The copper is

sold almost as fast as it is received. Defense Plant Corporation is also financing the expansion of two plants in the United States in addition to the facilities it is financing in Chile.

Cryolite.—The Company has contracted for the purchase and importation of cryolite ore at an approximate cost of $5,308,000.

Industrial diamonds.—The Company has purchased industrial diamonds from Brazil at a cost of $5,765,000. Of this amount, $4,250,000 has been disbursed for deliveries. The Company has also contracted for crushing bort from other foreign countries, at a cost of $2,275,000.

Graphite.—Contracts have been made for graphite from foreign countries, at a cost of $5,480,000, of which $683,000 has been disbursed. Contracts have also been made for the purchase of graphite of domestic origin. In addition, Defense Plant Corporation is providing plants and facilities at a cost of $573,000 for graphite production.

Iron ore.—The Company has contracted for the purchase of iron ore domestically and from Brazil, at an approximate cost of $21,896,000.

Lead.—Contracts have been made for the importation of refined lead from four foreign countries, and of ore and concentrates from seven countries at a cost of $107,497,000. Of this amount, $47,511,000 has been disbursed for deliveries.

Manganese.—Contracts have been made for import of manganese ore from 10 foreign countries as well as for ore of domestic production. The amount of all contracts will aggregate approximately $149,453,000, of which $33,058,000 has been disbursed for deliveries. Defense Plant Corporation has made commitments totaling $6,565,000 for plants or facilities for the treatment of manganese ore and concentrates. As in the case of chrome ore, the Company is buying manganese ores in small lots at various local agencies in mining territories, set up for the purpose.

Mercury.—Mercury is being purchased from Mexico, Canada, and South American countries, as well as from domestic sources. Commitments total $12,872,000, of which $7,521,000 has been disbursed.

Mica.—Mica is being purchased from four foreign countries. Purchases aggregate $9,673,000, of which $1,861,000 has been disbursed against deliveries. In addition, the Company has entered into an agency agreement with Colonial Mica Corporation, under the terms of which that Company will buy domestic mica.

Nickel.—In addition to the nickel to be produced by the facilities in Cuba financed by Defense Plant Corporation, Metals Reserve Company has contracted for nickel and nickel-cobalt speiss for import at a cost of $8,317,000. Of this amount $4,124,000 has been disbursed against deliveries.

Platinum.—The Company has made commitments to purchase imported crude platinum at a total cost of $1,707,000. Crude platinum contains platinum, iridium, osmium, ruthenium, palladium, and gold. The Company has also purchased, at a cost of $128,000, iridium produced in Russia, and requisitioned by the War Department and delivered in New York.

Quartz crystals.—The Company has contracted to import quartz crystals from Brazil, at a cost of $7,640,000. A total of $6,929,000 has been disbursed for deliveries. Quartz crystals are necessary in radio production.

Silver.—At the request of the War Production Board, and with the consent of the Secretary of the Treasury, we have agreed to buy 10,000,000 ounces of foreign silver at 45 cents per ounce and make it available to industry under allocation of the War Production Board.

Tin.—Agreements made with the International Tin Committee starting June 28, 1940, provided for the purchase of 112,500 tons of refined tin produced in the Far East prior to December 31, 1941, for stockpile purposes. In addition, the Company agreed to purchase a minimum of 37,500 tons in the first 6 months in 1942, provided the international scheme for the regulation of production and export be renewed for a further term beyond December 31, 1941, which event, however, did not occur. Forty-one thousand five hundred and ninety-six tons of fine tin were received under this agreement and 12,728 tons of fine tin were received in the form of tin ore for smelting in our own tin smelter, making a total of 54,324 tons prior to the supply being cut off through enemy action. Eleven thousand seven hundred tons of fine tin have been received from China and the Belgian Congo. Tin ores have been received from Bolivia sufficient to manufacture 35,000 tons of fine tin, making a total already received of slightly more than 100,000 tons. A small amount has been sold.

Defense Plant Corporation has constructed a tin smelter in Texas at an approximate cost of $6,300,000. The smelter will produce tin both from Bolivian ores and from far eastern alluvial ores. When the tin smelter started operations April 5, 1942, there were in stock pile Bolivian tin ores and Netherlands East Indies ores totaling approximately a year's capacity for the smelter. The smelter is operated for account of Metals Reserve Company.

Tungsten.—The Company has contracted for the purchase of tungsten-containing ores from eight foreign countries and the United States. Commitments for the domestic and imported ores aggregate $166,112,000, of which $19,220,000 has been disbursed. In cooperation with Defense Plant Corporation arrangements have been completed for the construction of a treatment plant in Utah, costing $423,000. This plant will be operated for the account of the Company by the United States Vanadium Corporation, purchasing ore in lots of 1 ton or more, containing as little as 3 percent tungsten. Approximately $7,000,000 per year has been allocated for the purchase of ores for this plant and $2,000,000 per year for the operation of the plant. In addition, Defense Plant Corporation is constructing a plant in New York at a cost of $445,000 for the treatment of antimony and tungsten ore purchased by Metals Reserve Company.

Vanadium.—As practically all available vanadium is being purchased by American industry, the Company has contracted with the United States Vanadium Corporation for the development of lead vanadate properties in the Southwest and sandstone ore properties in the Northwest for the recovery of vanadium. These operations, costing respectively $300,000 and $100,000, financed by Metals Reserve Company, will be conducted for the account of the Company by the United States Vanadium Corporation. The Company has also agreed to finance experimental test work for the extraction of vanadium from coal, crude oils, and iron ores in countries in the Western Hemisphere. In addition, Defense Plant Corporation is constructing a plant in Utah at a cost of $1,200,000 for the treatment of ore.

Zinc.—The Company has contracted for the purchase of zinc and zinc ore produced in the United States and imported from 8 foreign countries, at a cost of $57,748,000. Of this amount $12,723,000 has been disbursed for deliveries. In addition, Defense Plant Corporation is constructing 11 plants at an aggregate cost of $9,419,847 for the treatment of zinc ores and concentrates.

Canadian agreement.—Under date of June 29, 1942, the Company executed an agreement with War Supplies, Ltd., a Canadian company, under the terms of which the Company will advance from time to time funds not exceeding $10,000,000 to be used by the Canadian company for the development of new sources of supply of copper, zinc, lead, and other strategic and critical materials and minerals required for the war effort. Under the terms of this agreement all minerals produced from new projects developed by means of the funds advanced and also any increased production from existing projects resulting from expenditures made from such funds will be purchased by Metals Reserve Company at cost of production and delivery. At the time of such purchases the advances made for development will be amortized in the cost of the materials.

Copper, lead, and zinc excess production.—The Company has agreed that for a 2½-year period ending August 1, 1944, it will pay 9¼ cents per pound for lead, 11 cents per pound for zinc, and 17 cents per pound for copper for all production by a particular producer in excess of a quota determined by a joint committee of the Office of Price Administration and the War Production Board and approved by Metals Reserve Company. This quota is normally based on 1941 production.

This represents a premium of 2¾ cents per pound for lead and zinc, and 5 cents per pound for copper over ceiling prices. Premiums paid to date amount to $12,573,000 for production in excess of quotas based on 1941 production.

Salvage program.—The Company, at the request of the War Production Board, has undertaken the acquisition of critical materials in forms either partly or entirely fabricated which are not needed for the war effort and their conversion into forms which are necessary to the war. The sources of supply are principally commercial inventories of wholly or partially fabricated materials or frozen raw stocks and scrap and obsolete materials which are not flowing into war channels. The Company has allotted $720,000,000 for the acquisition of these materials, principally aluminum, copper and brass, iron and steel scrap, and tin and ferro-alloys. It is estimated that about $370,000,000 of the total amount will not be recovered. The Company functions under this program by agency contracts made with the leading commercial companies who are experienced in the particular fields. To date, $8,232,000 has been disbursed for such materials.

Scrap steel program.—The Company has entered into an agreement with War Materials, Inc., operating as its agent without profit, to purchase and sell iron and steel scrap to consuming steel mills. War Materials, Inc., will acquire obsolete structures and other scrap and move the same to the market in cases where the total cost of such scrap, due to dismantlement, freight, and other costs, would greatly exceed established scrap prices. In the acquisition of the scrap, the facilities of the iron and steel scrap industry will be used to the greatest extent possible; $500,000,000 has been allocated for this purpose. A great deal of this scrap will cost many times its market value. The excess cost will represent a money loss.

The total commitments of Metals Reserve Company up to October 31, 1942, are summarized by materials and projects in the following table:

Aluminum and alumina.
Antimony.
Arsenic.
Asbestos.
Bauxite.
Beryllium.
Bismuth.
Cadmium.
Chromite.
Iron ore.
Kyanite.
Lead.
Lead ore.
Manganese.
Mercury.
Mica.
Molybdenite.
Nickel.
Platinum.
Quartz crystal.
Rutile ore.
Silver.
Tantalum.
Tin.
Tin ore.
Cobalt.
Copper.
Copper ore.
Corundum.
Cryolite.
Diamonds.
Fluorspar.
Graphite.
Iridium.
Tungsten.
Vanadium.
Zinc.
Zinc ore.
Zircon.
Overall agreements and programs:
- Canada—Metal development.
- Chrome—Mining development.
- Copper, lead, and zinc—Excess production.
- Cuba—Nickel development.
- International tin commitment.
- Philippines—Metal purchases.
- Salvage program.
- Scrap steel program.
- Vanadium development.

RUBBER RESERVE COMPANY

Rubber stock pile.—May 1940 the President suggested we buy a reserve supply of rubber and tin. We immediately asked Congress to give us the necessary authority, and while the legislation was pending invited the International Rubber Regulation Committee and the International Tin Committee to send representatives to this country with whom we could negotiate. The legislation was approved by the President June 25. Three days later Rubber Reserve Company was created and the following day entered into an agreement with the International Rubber Regulation Committee covering the purchase for a reserve supply of 150,000 tons of crude rubber for shipment in 1940.

August 15, 1940, a second agreement was entered into covering the purchase of an additional 180,000 tons for our reserve supply, for shipment in 1941.

A few weeks later we asked the representative of the International Rubber Regulation Committee, who was in this country at the time, for more stock pile rubber, and concluded a third contract March 7, 1941, for another 100,000 tons.

Soon thereafter we asked the Committee to further increase production so that we could accumulate a much larger stock pile, and were able to conclude a formal contract December 13, 1941. This provided for an increase in the stock pile to 800,000 tons.

No amounts were ever suggested by any authority at any time, but we got all we could as fast as we could.

All stock-pile purchases were to be in addition to current inventories of the rubber industry in this country, estimated at 150,000 tons.

Ninety-seven percent of the world production of rubber was controlled by the International Rubber Regulation Committee. This Committee was operated by the principal rubber-producing countries of the world and fixed the production and permissible export quotas.

When we made our first contract June 29, 1940, the quota for production and permissible exports, as fixed by the Committee, was 80 percent of standard production. As subsequent contracts were made the quotas were increased by the Committee to 85 percent for the third quarter of 1940; 90 percent for the fourth quarter of 1940; 100 percent for the first, second, and third quarters of 1941; and 120 percent for the fourth quarter of 1941 and the first quarter of 1942.

In the first three agreements covering the purchase of our stock pile of 430,000 tons, it was stipulated that, except in an emergency, the entire stock pile would be kept intact until December 31, 1943, and thereafter liquidated at a rate of not more than 100,000 tons per annum, and in such manner as not to disturb the market. In the last contract to increase the stock pile to 800,000 tons, the amount that might be liquidated in any one year was increased to 200,000 tons after January 1, 1944.

January 1, 1940, the total inventory of rubber in this country was 125,000 tons. This was built up to 634,000 tons, approximately a normal year's supply, notwithstanding that 364,900 tons more rubber were consumed in the United States in 1940 and 1941 than in 1938 and 1939. Rubber Reserve Company has imported a total of 700,000 tons at a cost of $325,450,000.

We are still getting some rubber from Ceylon. Approximately 100,000 tons of rubber are produced annually in Ceylon. This is being divided between Britain, Russia, and the United States in accordance with the allocations made by the Combined Raw Materials Board.

Rubber Reserve Company has agreed with the Firestone Plantations Co. of Liberia to purchase the latter's entire 1942 and 1943 production of crude rubber and latex. It is estimated that this will amount to 11,000 tons of crude rubber and latex in 1942 and approximately 13,000 tons in 1943. A small additional amount of rubber is produced in Africa, but is allocated to the British by the Combined Raw Materials Board.

For the year 1940 the United States got 11,061 long tons from Latin America and 10,797 long tons in 1941 We hope to get more during and after 1942.

March 3, 1942, Rubber Reserve Company contracted with the Brazilian Government for all of the exportable surplus of rubber produced in Brazil for 5 years. This contract was followed by contracts with 16 other Latin-American countries for all of their exportable rubber.

Rubber Reserve Company has contracted also for the purchase of approximately 18,700 metric tons of rubber from the Belgian Congo for delivery over the period September 1, 1944, to January 31, 1948, to come from trees yet to be planted.

Rubber Reserve Company has sent representatives and technicians into most of these countries to assist in increasing the production and availability of wild rubber. In addition to paying a very substantial price for the rubber, Rubber Reserve Company is expending large sums of money to improve transportation and working conditions, increase the labor supply, and do whatever else may be necessary to get more rubber. An aerial cargo transport service is being set up by Rubber Reserve Company to serve the Amazon Basin in Brazil. The primary purpose of this service is to speed delivery of equipment, supplies, food, medicine, and personnel to inaccessible parts of the Amazon Basin in connection with the procurement of wild rubber. This service will also bring out rubber and deliver it to concentration centers where it can be picked up by river steamers.

Synthetic rubber.—Rubber Reserve Company and Defense Plants Corporation have arranged with 67 rubber, oil, chemical, utility, and other companies to provide, construct, or operate plants and facilities for the annual production of 663,000 tons of butadiene, 172,500 tons of styrene, and other necessary chemicals and catalysts, to be used in the manufacture for Rubber Reserve Company of four types of synthetic rubber—viz, the butadiene-styrene-copolymer type, 705,000 tons annually; butyl rubber, 132,000 tons; neoprene, 60,000 tons; and thiokol, 50,000 tons; a total rated capacity of 947,000 tons of synthetic rubber per annum, which, with a reasonable factor of safety, should produce substantially more than 1,000,000 tons. These arrangements were made prior to the appointment of the Rubber Director. The President's Rubber Survey Committee stated that the program was technically sound and in the hands of capable engineers, contractors, and operators.

The estimated cost of all of the plants and facilities aggregates $564,361,220.

Scrap rubber.—The Company has agreed to purchase all scrap rubber in the country at $25 per ton in carload lots f. o. b. point of shipment, with certain variations for other grades. This program is carried out through the four large scrap-rubber companies, which have Nationwide organizations. They have contracted to act as agents for Rubber Reserve Company without profit to themselves. Purchases are made from scrap dealers throughout the country and from the oil companies which gathered rubber in the recent scrap-rubber drive. Sales are being made for reclaiming purposes. Purchases aggregate 575,425 tons at an aggregate cost, including freight, of approximately $18,460,540. Of this, 161,228 tons have been sold to reclaimers at ceiling prices at a substantial loss to the Corporation. (During November additional purchases aggregated approximately 68,000 tons and sales 97,000 tons.)

United States Commercial Company

The United States Commercial Company was created March 27, 1942. Its principal purpose is to compete with enemy countries for the purchase of any material that might be of use to the enemy.

It has established a working agreement with its British counterpart, the United Kingdom Commercial Corporation. The effect of this arrangement is to enable the United States Commercial Company to use the facilities of the British company wherever they exist. The United States Commercial Company also has its representatives in a number of foreign countries.

In addition to the commodity side of the business, by direction of the President, the Company is moving to rid the Western Hemisphere of the Axis and Axis-influenced interests in communications companies.

This Company will sustain proportionately heavy losses.

Foreign Purchases

Contracts for foreign purchases by all Reconstruction Finance Corporation subsidiaries aggregate $3,182,591,671. By Executive order of the President foreign purchases, since April 20, 1942, have been negotiated under directives issued by the Board of Economic Warfare. These purchase contracts, which aggregate $598,317,252, are included in the above total.

Reconstruction Finance Corporation Direct Activities

In addition to its war activities through the above-mentioned agencies, the Reconstruction Finance Corporation has authorized 3,559 direct loans aggregating $1,143,202,423 to borrowers engaged in war production. Of the amount authorized, $318,020,705 has been disbursed.

In keeping with its usual policy, the Reconstruction Finance Corporation cooperates with banks in making loans to manufacturers engaged in war work—loans for plant expansion, machinery, equipment, working capital, and other purposes—by taking participations in such loans. Where banks wish to carry an entire loan, the Corporation gives them definite take-out agreements. The Corporation has authorized participations to the extent of $96,784,079 in such loans aggregating $130,106,563. Practically all of these loans were made by banks which carry for their own account and risk the remaining $33,322,484.

Loans to small business enterprises in the war effort.—With the purpose of helping to spread war work among smaller business enterprises throughout the country, Reconstruction Finance Corporation on February 19, 1942, authorized its loan agencies to approve on their own responsibility individual loans up to $100,000. In the 8 months since this procedure has been in effect, 2,908 loans to small business enterprises aggregating $75,423,074 (including $10,882,839 participations by banks) have been approved by the loan agency managers, including 2,534 loans for the manufacture of products essential to the war effort. These loans average $25,936 per loan.

Many more such loans to finance war contracts are made to small business enterprises in excess of $100,000, and disbursed on a budget basis, with a stipulated maximum that may be outstanding at any one time. Such loans are in fact equivalent to a much greater number of loans to small business enterprises both in the war effort and for normal purposes.

Under the Murray-Patman Act the Reconstruction Finance Corporation directly and through Defense Supplies Corporation has arranged to assist authorized dealers, finance companies, and banks in the carrying and orderly marketing of approximately 125,000 automobiles and light trucks shipped on and after January 16, 1942, before the conversion of the automobile industry to war production, these cars having been frozen by the Office of Price Administration until April 1, 1943, at the earliest. These cars may be disposed of only in accordance with regulations promulgated by the Office of Price Administration. Of the $133,000,000 allocated for this program by the Reconstruction Finance Corporation, agreements have been executed for the purchase of 52,235 cars for $46,278,671.

Under the provisions of section 5h of the Reconstruction Finance Corporation Act, approved by the President May 11, 1942, the Corporation buys from, or makes loans to, dealers in articles or commodities which have been rationed by Federal agencies. Such loans and purchases are made on a basis which enables dealers to secure an amount equal to the cost to the dealer of such articles or commodities, provided the cost is a reasonable one incurred in the ordinary course of business. Two thousand and fifty-three loans, aggregating $49,173,246, on automobiles, oil burners, tires, and typewriters, etc., and 55 purchases, aggregating $366,625, of automobiles, ranges, gas and oil burners, and typewriters have been approved by the Corporation.

Loan to Great Britain.—Section 5d of the Reconstruction Finance Corporation Act, as amended, authorizes the Corporation, upon the request of the Secretary of Commerce and the approval of the President, to make loans to foreign governments on the security of American obligations. Pursuant to this authority the Reconstruction Finance Corporation has authorized a loan to the United Kingdom of Great Britain and Northern Ireland of $425,000,000, of which $390,000,000 has been disbursed. The loan is secured by listed and unlisted securities of United States corporations (including 41 United States insurance companies) and by the assignment of earnings of the United States branches of 41 British insurance companies. This loan was made to provide the British with additional dollar exchange without necessitating the forced sale of their American securities. The proceeds will be used by Great Britain to pay for war supplies purchased in this country and contracted for prior to the approval on March 11, 1941, of the Lend-Lease Act. Total collections on account of this loan aggregate $48,091,100, of which $1,424,818 represents proceeds of the sale of collateral and $46,666,282 interest, dividends, and other income from the security; $23,545,009 was applied on the principal of the indebtedness and the balance as interest or held as reserves.

Defense Homes Corporation

Defense Homes Corporation was incorporated under the laws of the State of Maryland October 23, 1940, with a capital stock of $10,000,000 furnished the Federal Loan Administrator for this purpose by the President from his emergency fund.

While under my supervision Defense Homes Corporation constructed housing facilities in designated defense areas as requested by the Housing Coordinator. These housing facilities consist of homes, apartment buildings for small family units, and dormitories in Washington for Government workers, both men and women, white and colored, and a dormitory in Charleston, S. C., for male navy-yard workers. The housing facilities in Washington and nearby Virginia consist of the Meridian Hill Hotel, for women Government workers, which accommodates 715 women workers and which was completed in July 1942, and fully occupied during the following month; McLean Gardens, containing 730 apartments and 1,143 dormitory rooms; Fairlington, containing 3,460 apartments; and 3 other projects containing 1,224 apartments and dormitory rooms.

All the housing is of a durable nature and should have renting or sales value after the emergency. While it was expected that the

homes would be rented on an economic basis, it was not contemplated that the rentals would be more than most defense workers or Army and Navy officials could afford to pay. Such rentals should amortize the cost with interest to the Government over a period of 20 to 25 years.

Defense Homes Corporation does not compete with private builders who erect houses for sale or with Government or other existing housing agencies which provide housing that cannot be rented on an economic basis.

On August 31, 1942, 3,863 housing units in 17 locations had been completed and 7,047 housing units in 7 locations were under construction or contracted for; and in 9 locations suggested by the Coordinator, land had been acquired. The Corporation also authorized 5 loans aggregating $995,000 to assist private capital in the construction of defense housing.

In connection with its operations to August 31, 1942, Defense Homes Corporation expended approximately $28,000,000 and additional expenditures approximating $33,000,000 will be required to complete the projects then under way.

Funds, in excess of its $10,000,000 capital, which have been expended by Defense Homes Corporation have been borrowed from the Reconstruction Finance Corporation under commitments totaling $64,000,000. The Corporation was operated at a minimum of expense due to the fact that most of the work was done by Reconstruction Finance Corporation personnel on an actual cost basis.

Executive order dated February 24, 1942, provided for the transfer of Defense Homes Corporation to the National Housing Agency, but by request of the National Housing Administrator the transfer was deferred until the close of business August 31, 1942.

War Damage Corporation

On December 13, 1941, the Reconstruction Finance Corporation, with the approval of the President, created a corporation, with a capital of $100,000,000 to provide reasonable protection against losses incident to the destruction or injury of tangible property, real and personal, resulting from enemy attacks. This action was taken pursuant to the authority of the Reconstruction Finance Corporation to empower defense corporations to take such action as the President and the Secretary of Commerce deemed necessary in order to expeditie the national defense program. By act approved March 27, 1942, the Corporation was directed to supply funds to the War Damage Corporation, upon the request of the Secretary of Commerce, with the approval of the President, in an aggregate amount not to exceed $1,000,000,000.

To avoid the necessity of creating a complete organization to handle war damage insurance, the Corporation entered into agreements with 546 fire insurance companies under which they undertook, as agents for War Damage Corporation, to offer war damage insurance through the medium of their agents, brokers, and branch offices. By this means, the Corporation is operating through approximately 1,450 established offices.

In reimbursement for such services the insurance agent receives 5 percent commission on the insurance premium, with a minimum of $1 per policy and a maximum of $1,000 per policy, even though the policy is for a billion dollars. The insurance company through which the agent transmits the insured's application, and which handles the accounting therefor, receives an expense reimbursement of 3½ percent of the insurance premium, with a minimum of 50 cents per policy and a maximum of $700 per policy. These fees are estimated to be the approximate out-of-pocket costs to the companies for their services. No other fees or commissions are to be paid the insurance companies so acting for War Damage Corporation.

The insurance industry, represented by 546 companies, has a 10 percent interest in the operating profits or losses of War Damage Corporation, with a provision that the aggregate loss of all the companies shall not exceed $20,000,000 and the aggregate profits, if any, shall not exceed $20,000,000, thus giving them as big a share in the business and the risk as they were willing to assume.

Premiums collected to October 31, 1942, aggregated approximately $119,900,000 and it is estimated that approximately $94,000,000,000 of War Damage Corporation insurance was in force on that date.

In excess of 3,750,000 policies have been written.

In carrying out our war activities, we have operated principally through or in cooperation with private industry. Our 10 years' experience as a Government business agency has enabled us to do this vast amount of war work at a minimum of expense and without building up a large organization.

Sincerely yours,

Jesse H. Jones,
Secretary of Commerce.

Supplementary Statements

Defense Plant Corporation

Summary setting forth the various classes of facilities, the construction or expansion of which Defense Plant Corporation has financed or contracted to finance:

Item	*Amount*
Aircraft, parts and accessories	$2, 488, 477, 447
Aviation gasoline	189, 662, 963
Chemicals:	
Alcohol	5, 925, 120
Chlorine, ammonia, caustic soda, sodium nitrate	26, 984, 280
Glycerin	5, 665, 162
Oxygen	17, 179, 335
Phenol	6, 584, 730
Toluene	16, 044, 748
Other	12, 197, 523
Flying schools—purchase, improvement, and expansion of	32, 122, 502
Cutting tool industry, for expansion of	15, 204, 047
Cutting tool industry, pool orders for output of	180, 000, 000
Gage industry, for expansion of	9, 534, 465
Gage industry, pool orders for output	50, 000, 000
Machine tools, for manufacture of	86, 017, 854
Machine tools, for purchase of	1, 450, 000, 000
Machinery, for manufacture of tools	35, 474, 329
Metals:	
Aluminum and products (including alumina, bauxite, cryolite, and aluminum fluoride)	672, 212, 566
Beryllium	2, 902, 756
Chrome	16, 483, 146

SUPPLEMENTARY STATEMENTS—Continued

DEFENSE PLANT CORPORATION—continued

Item	Amount
Metals—Continued.	
Copper	$62, 567, 640
Magnesite	1, 493, 000
Magnesium	394, 669, 007
Manganese	6, 565, 000
Nickel	20, 670, 000
Steel and pig iron (including ferromanganese and ferrosilicon)	800, 885, 079
Tantalum	4, 170, 000
Tin (smelter)	6, 300, 000
Tungsten	423, 465
Vanadium	5, 260, 000
Zinc and lead	9, 797, 927
Miscellaneous minerals	26, 377, 141
Ordnance	459, 449, 896
Pipe lines (oil)	102, 850, 000
Power plants	13, 100, 000
Radio, communication and scientific equipment	51, 025, 728
Rubber, synthetic; butadiene, styrene, and other bases	679, 012, 420
Shipyards, vessels and parts	195, 754, 536
Miscellaneous projects	214, 795, 691
Total	8, 333, 839, 503
Less cancelations	798, 239, 768
Grand total	7, 535, 599, 735

Aluminum.—On pages 3 and 4 provision for increased aluminum production and manufacturing capacity is briefly discussed. Commitments have been made with the following 30 companies for the operation of 76 plants:

	Number of plants		Number of plants
Aluminum Co. of America	33	General Motors Corporation (Buick motor division)	1
Reynolds Metals Co	5	Servel, Inc	1
Kalunite, Inc	3	National Aluminum Cylinder Head Co	1
Bonneville Power Administration	3	Caterpillar Tractor Co	1
Ford Motor Co	2	Willys-Overland Motors, Inc	1
Olin Corporation	2	Aluminum Forgings, Inc	1
Bohn Aluminum & Brass Corporation	2	United States Army engineers	1
Revere Copper & Brass, Inc	2	Arkansas-Louisiana Gas Co	1
Consolidated Edison Co. of New York	2	Public Service Electric & Gas Co	1
Chrysler Corporation	2	Tennessee Valley Authority (research)	1
Sweet Home Bauxite Co	1	Battelle Memorial Institute (research)	1
Victory Bauxite Co	1	General Motors Corporation (Delco-Remy division)	1
Pennsylvania Salt Manufacturing Co	1	General Motors Corporation (Chevrolet division)	1
Reynolds Alloys Co	1	Oberdorfer Foundries, Inc	1
Extruded Metals Defense Corporation	1		
Packard Motor Car Co	1		

Magnesium.—On page 4 provision for the increased manufacturing capacity of magnesium and magnesium products is briefly discussed. Commitments have been made with the following 33 companies for the operation of the 47 plants:

	Number of plants		Number of plants
Permanente Metals Corporation (Henry J. Kaiser)	5	Hills-McCanna Co	1
Dow Chemical Co	4	The Humphreys Manufacturing Co	1
Dow Magnesium Corporation	3	General Motors Corporation	1
Basic Magnesium, Inc	3	Bendix Aviation Corporation	1
Ozark Chemical Co	2	Springfield Bronze & Aluminum Co	1
International Minerals & Chemical Corporation	2	Michigan Light Alloys Corporation	1
American Radiator and Standard Sanitary Corporation	2	Maryland Sanitary Manufacturing Corporation	1
Aerometals, Inc	1	Bonneville Power Administration	1
Diamond Magnesium Co	1	National Research Corporation	1
Mathieson Alkali Works, Inc	1	Union Sulphur Co., Inc	1
Amco Magnesium Corporation	1	Utah Magnesium Corporation	1
New England Lime Co	1	Revere Copper & Brass, Inc	1
Ford Motor Co	1	General Properties Co., Inc	1
Electro-Metallurgical Co	1	Chemurgic Corporation	1
Magnesium Reduction Co	1	Metals, Inc	1
Wellman Bronze & Aluminum Co	1	Deere & Co	1
Howard Foundry Co., Inc	1		

Steel.—On page 5 provision for increased steel-manufacturing capacity is briefly discussed. Commitments for the operation of the 173 plants have been made with the following 83 companies:

	Number of plants		Number of plants
Republic Steel Corporation	23	Emsco Refractories Co	1
United States Steel Corporation [1]	14	Inland Steel Co	1
Bethlehem Steel Co	8	Pittsburgh Ferromanganese Co	1
Sheffield Steel Corporation of Texas	6	Wickwire Spencer Steel Co	1
The Hackett Corporation	6	Rainey-Wood Coke Co	1
Copperweld Steel Co	5	The Wilkenson Products Co	1
Alan Wood Steel Co	5	Michigan Steel Casting Co	1
Otis Steel Co	4	Lakey Foundry & Machine Co	1
The Babcock & Wilcox Tube Co	4	Atlantic Steel Castings Co	1
American Rolling Mill Co	4	Farrell-Cheek Steel Co	1
Kaiser Co., Inc	4	Unitcast Corporation	1
The Colorado Fuel & Iron Co	3	Michigan Steel Tubes Products Co	1
Pittsburgh Steel Co	3	Revere Copper & Brass, Inc	1
Jones & Laughlin Ore Co	3	Bundy Tubing Co	1
Lone Star Steel Co	3	Globe Steel Tubes Co	1
Jessop Steel Co	2	Standard Tube Co	1
Wheeling Steel Corporation	2	Pittsburgh Coke & Iron Co	1
Rotary Electric Steel Co	2	Pittsburgh Forgings Co	1
Koppers United Co	2	Cumberland Iron Co	1
Eaton Manufacturing Co	2	Madaras Steel Corporation of Texas	1
Crucible Steel Co. of America	2	The Osgood Co	1
The National Supply Co	2	Pacific Car and Foundry Co	1
The Ohio Steel Foundry Co	2	Crucible Steel Casting Co	1
Oregon Electric Steel Rolling Mills	2	Superior Steel Products Co	1
The Youngstown Sheet & Tube Co	2	Continental Ordnance Corporation	1
Granite City Steel Co	1	Belle City Malleable Iron Co	1
Allegheny Ludlum Steel Corporation	1	Fort Pitt Marine Casting Corporation	1
Barium Stainless Steel Corporation	1	Pelton Steel Casting Co	1
Andrews Steel Defense Corporation	1	Key Co	1

[1] United States Steel Corporation subsidiaries include Carnegie-Illinois Steel Corporation, Columbia Steel Co., American Steel & Wire Co. of New Jersey.

	Number of plants		Number of plants
Omaha Steel Works	1	Die-Typing Corporation	1
National Erie Corporation	1	Keokuk Electric-Metals Co	1
Smith Steel Foundry Co	1	Pittsburgh Metallurgical Co	1
Hercules Manufacturing Co	1	South Carolina Public Service Authority	1
La Salle Steel Co	1	The William B. Pollock Co	1
Tubular Alloy Steel Corporation	1	Ohio Seamless Tube Co	1
Oil City Tank & Boiler Co	1	McLain Fire Brick Co	1
Detroit Gray Iron Foundry Co	1	K. W. D. Mining Co	1
Detroit Alloys Steel Co	1	Humphreys Coal & Coke Co	1
Missouri Iron Mining Co	1	Shofner Iron & Steel Works	1
Basic Refractories, Inc	1	Clayton Mark & Co	1
McCrossin Engineering Co	1	The Brown Fence & Wire Co	1
Utah Power and Light Co	1		

Aviation gasoline.—On page 12 provision for increased production of aviation gasoline is briefly discussed. Contracts have been made with the following companies for the operation of 28 plants:

	Number of plants		Number of plants
J. S. Abercrombie and Harrison Oil Co	1	Eastern States Petroleum Co., Inc	1
American Cyanamid & Chemical Corporation	1	Frontier Refining Co	1
Anderson-Prichard Refining Corporation	1	Great Southern Corporation	1
Ashland Oil & Refining Co	1	Houdry Process Corporation	1
Associated Refineries, Inc	1	Mohawk Petroleum Corporation	1
The Bay Petroleum Corporation	1	National Refining Co	1
Charter Refining Co	1	The Pennzoil Co	1
Chicago Chemical Co	1	Premier Oil Refining Co. of Texas	1
Cities Service Refining Corporation	1	The Pure Oil Co	1
Continental Oil Co	1	Republic Oil Refining Co	1
Crown Central Petroleum Corporation	1	Root Petroleum Co	1
Diakel Corporation	1	Southport Petroleum Co. of Delaware	1
		Standard Oil Co. of Louisiana	1
		Terminal Refining Corporation	1
		Utah Oil Refining Co	1
		Wilshire Oil Co., Inc	1

Synthetic rubber.—On page 29 provision for the manufacture of synthetic rubber is briefly discussed. The 67 plants are to be operated by the following companies:

	Number of Plants		Number of Plants
American Car & Foundry Co	1	The Ethyl Corporation	1
Atlas Oil Co. of Louisiana	1	Filtros, Inc	1
Barium Reduction Corporation	1	The Firestone Tire & Rubber Co	3
Buffalo Electro Chemical Co	1	General Synthetic Co.[3]	1
Carbide & Carbon Chemicals Corporation	4	The B. F. Goodrich Co	4
Cities Service Oil Co	1	The Goodyear Tire & Rubber Co	4
Consolidated Oil Corporation	1	Hancock Oil Co. of California	1
Copolymer Corporation [2]	1	Humble Oil & Refining Co	2
Crown Central Petroleum Co	1	Koppers United Co	2
Davison Chemical Co	2	Magnolia Petroleum Co	1
Dow Chemical Co	4	Monsanto Chemical Co	1
Eastern States Petroleum Co	1	National Synthetic Rubber Corporation [4]	1
E. I. duPont de Nemours & Co	2	Neches Butane Products Co.[5]	1

[2] Copolymer Corporation owned by Armstrong Rubber Co., the Dayton Rubber Manufacturing Co., the Gates Rubber Co., Mansfield Tire & Rubber Co., Lake Shore Tire & Rubber Co., Pennsylvania Rubber Co., Sears, Roebuck & Co.

[3] General Synthetic Co. owned by the Sieberling Rubber Co., General Latex & Chemical Corporation, the General Tire & Rubber Co., Jenkins Bros., Dunlop Tire & Rubber Corporation.

[4] National Synthetic Rubber Corporation owned by Hewitt Rubber Corporation, Lee Rubber & Tire Co., Hamilton Rubber Manufacturing Co., Goodall Rubber Co., Inc., Minnesota Mining & Manufacturing Co.

[5] Neches Butane Products Co. owned by Atlantic Refining Co., Gulf Oil Co., Pure Oil Co., Socony Vacuum Oil Co., Texas Co.

	Number of plants		Number of plants
Pacific Gas & Electric Co	1	Southport Petroleum Co	1
Pan American Petroleum Co	1	Standard Oil of California	1
Phillips Petroleum Co	1	Standard Oil Co. of Indiana	1
Publicker Commercial Alcohol Co	1	Standard Oil Co. of Louisiana	3
Quaker Oats Co	1	Sun Oil Co	1
Q. O. Chemical Co	1	The Thiokol Corporation	1
Shell Chemical Co	1	The United States Rubber Co	3
Sinclair Refining Co	1	Ugite Sales Corporation	1
Sinclair Rubber, Inc	1	Westvaco Chlorine Products Corporation	1
Southern California Gas Co	1		

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